

Message Text

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43

ACTION COME-00

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E.O.11652: N/A

TAGS: BEXP, SA, BE

SUBJECT: COST ESCALATION CLAUSES IN SAUDI CONTRACTS

REF: STATE 225084

1. VINDELINCKX, COUNSELOR FOR TRADE WITH ARAB STATES, OF BELGIAN FOREIGN TRADE OFFICE (OFFICE BELGE DE COMMERCE EXTERIEUR) INFORMED EMBOFF THAT HIS OFFICE HAD NO INFORMATION THAT SAUDIS WERE CHANGING THEIR POLICY TOWARD COST ESCALATION CLAUSES IN CONTRACTS. HE THOUGHT THAT EACH CONTRACT WAS TREATED SEPARATELY. HOWEVER, HE OBSERVED THAT IN THE DIALOGUE GOING ON BETWEEN EUROPEAN COUNTRIES AND THE ARAB STATES, BELGIANS AND OTHERS HAD SOUGHT GREATER FLEXIBILITY IN CONTRACT TERMS.

2. FOREIGN MINISTRY OFFICIAL CHARGED WITH TRADE POLICY TOWARD NORTH AFRICAN AND MIDDLE EASTERN COUNTRIES (DOMUS) STATED THAT HE HAD IMPRESSION THAT ARAB STATES WERE SHOWING SIGNS OF RECOGNIZING EXISTENCE OF BOTTLENECKS WHICH MADE FIXED-PRICE CONTRACTS DIFFICULT TO CALCULATE AND IMPLEMENT AND THEREFORE NEED FOR VARIATION OF COST-PLUS CONTRACT.

3. BOTH OFFICIALS QUOTED ABOVE INDICATED THAT MR. CAUCHIE, PRESIDENT OF EUROSISTEM HOPITALIER, HAD HAD TO SHOW GREAT PATIENCE AND RESTRAINT OVER 17-MONTH PERIOD IN SEEKING THIS PARTICULAR CONTRACT. BY IMPLICATION, THEY SUGGESTED THAT CERTAIN CONCESSIONS GRANTED TO HIS FIRM COULD PERHAPS BE ATTRIBUTED TO HIS PERSISTENCE. EMBASSY HAS THUS FAR

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BEEN UNABLE TO REACH MR. CAUCHIE DIRECTLY FOR COMMENT

BUT WILL CONTINUE TO ATTEMPT TO DO SO. FIRESTONE

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